

**ST. TAMMANY PARISH LIBRARY****Annual Financial Statements****December 31, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6-6-07

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## **Independent Auditor's Report**

To the Board of Control  
**St. Tammany Parish Library**

We have audited the accompanying financial statements of the governmental activities and the major fund, which collectively comprise the basic financial statements of the St. Tammany Parish Library (the Library), a component unit of the St. Tammany Parish Council, as of December 31, 2006, and for the year then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the St. Tammany Parish Library as of December 31, 2006, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 4 through 8 and the budgetary comparison schedule identified on page 26 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements that collectively comprise the St. Tammany Parish Library's basic financial statements. The accompanying information listed as other supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the St. Tammany Parish Library. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2007, on our consideration of the St. Tammany Parish Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



A Professional Accounting Corporation

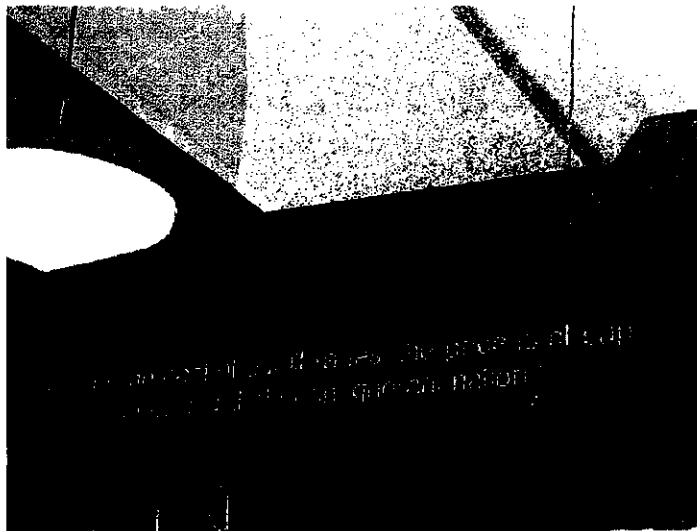
March 20, 2007

**REQUIRED SUPPLEMENTAL INFORMATION (PART I)**

St. Tammany Parish  
Library  
310 West 21st  
Avenue  
Covington, La. 70433

Management's Discussion and Analysis

**St. Tammany Parish Library for 2006**



Prepared by: Donald K. Westmoreland

## ST. TAMMANY PARISH LIBRARY

### Management's Discussion and Analysis

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#### Overview

The following financial analysis is from the perspective of the management of the St. Tammany Parish Library (the Library). This narrative will focus on the financial activity for the calendar year that ended on December 31, 2006. The financial performance is discussed and analyzed within the context of the accompanying financial statements.

#### Financial Highlights

- ✓ The St. Tammany Parish Library's assets exceeded its liabilities by \$8,790,492 (net assets for the calendar year reported).
- ✓ Total assets are comprised of the following:
  1. Capital assets of \$1,413,230 include property, equipment, and books, net of accumulated depreciation.
  2. Current assets of \$7,377,262 represent the portion available to maintain the Library's continuing obligations to the citizens and creditors.
- ✓ The net assets of the St. Tammany Parish Library showed a 21.4% increase (\$1,547,576) over the prior year.
- ✓ Overall, for the current level of public funding with current facilities, the St. Tammany Parish Library is in a good financial position. In the past year we have been repairing the library branches. We have been diligently working with FEMA, the State Library of Louisiana, the Gates Foundation and the Bush-Clinton Foundation in getting all the assistance we can qualify for grants.
- ✓ Our most pressing problem continues to be our extremely small libraries serving nearly 300,000 people. The storm reduced us from 5 community sized libraries and 7 satellite-sized branches to 4 and 6, respectively. Library standards show us having only 1/5 the space we need to service our current population. That puts us at the bottom of library systems in service space, not only in Louisiana, but in the whole United States.
- ✓ In the past year the St. Tammany Parish Library Board had proposed a building plan for library expansion. The 7.5 mills proposal was to build 9 community libraries, 2 regional libraries, and for renovating 2 existing branches. All this work was to be completed in 10 years and paid off in less than 20 years. With a 6% turnout, the voters voted 73% 'No' and 27% 'Yes'.
- ✓ Though a setback, it is not an uncommon result for Louisiana voters to reject such expansion proposals when they are first offered to the voters. Terrebonne and Vermillion Parishes suffered several defeats at the polls before voters understood the issues and finally voted for new libraries. Ironically, the delay in voting for expansion by these parishes only made the new buildings cost more for the taxpayers in the end.

## ST. TAMMANY PARISH LIBRARY

### Management's Discussion and Analysis

- ✓ In 2005, the State Library of Louisiana ranked St. Tammany Parish 48<sup>th</sup> in per capita expenditure for public libraries in the state. 48<sup>th</sup> equals a little less than \$19.00 per person in per capita spending - \$10.00 less than the state average and about \$ 12.00 less than the national average. East Carroll Parish, Louisiana's poorest parish – is between the State and National average. Other parishes around us are even worse in per capita expenditure category - New Orleans Public - 60<sup>th</sup>, Washington Parish - 61<sup>st</sup>, and Tangipahoa Parish - 62<sup>nd</sup>.
- ✓ Our people do not have locally many examples of a modern public library to see. It has been our experience that once our citizens see modern facilities such as in Houma; Baton Rouge; Columbus, Georgia; Marietta, Georgia; Hattiesburg, Mississippi; Fairhope, Alabama; and even now in the small parish of Livingston, our need becomes apparent to them. It shows our citizens that modern facilities are affordable. It is apparent that people are once again excited to be in the library using the new amenities that were not possible before in the old facilities. Not only does everything have its place, these new buildings allow for modern displays of the various formats of material that were not around 10 and 15 years ago. New libraries have the feeling of openness that you experience at Barnes & Nobles, Borders and other modern bookstores. Not only attractive, they make access easier for people to see the material, which results in greater usage. Good modern libraries become destination places where people will spend hours. If we can invest over \$7,600 per student, why is it impossible to invest \$30 to \$35 a citizen for a solid outstanding public library?

### Independent Auditor's Report

Annually, the St. Tammany Parish Library Board of Control hires an independent firm to audit the Library's financial statements. The annual Library report is forwarded to the Parish Government and becomes part of their annual audit report.

#### Statement of Government Activities Chart

	2006		2005	
<b>Revenues:</b>				
<b>Taxes:</b>				
Property Tax	\$ 5,827,967	85.46 %	\$4,224,329	89.70 %
State Revenue Sharing	200,574	2.92	178,990	3.80
<b>Other Income:</b>				
Fines and Fees	127,689	1.88	118,897	2.50
Grants	381,636	5.60	74,487	1.60
Interest from Investments	120,159	1.76	70,785	1.50
Miscellaneous	162,179	2.38	43,025	0.90
<b>Total Revenues</b>	<b>6,820,204</b>	<b>100.00</b>	<b>4,710,513</b>	<b>100.00</b>
<b>Expenses</b>	<b>5,272,628</b>	<b>100.00 %</b>	<b>4,864,119</b>	<b>100.00 %</b>
<b>Change in Net Assets</b>	<b>1,547,576</b>		<b>(153,606)</b>	
<b>Net Assets - Beginning</b>	<b>7,242,916</b>		<b>7,396,522</b>	
<b>Net Assets - Ending</b>	<b>\$ 8,790,492</b>		<b>\$7,242,916</b>	



## ST. TAMMANY PARISH LIBRARY

### Management's Discussion and Analysis

#### Explanation of the Government Activities Chart

This chart shows that the bulk of the St. Tammany Parish Library's revenue is generated by the 6.33 mills of a property tax dedicated to the Library's operation by the citizens of St. Tammany Parish. State revenue sharing, though a small percentage, is the second greatest source of revenue. Fines and fees charged to our patrons add very little to the revenue pie. Interest is earned on the balance of unused funds. The bulk of the tax revenue is usually collected within the first four months of a calendar year. Whatever revenue that is not needed early in the year is invested and is used to pay expenses that occur later in the year. Low interest rates have made investment income negligible. Cash gifts to the Library are often given in small donations in memory of another person.

Government activities are actually the expense of running the Library. Those expenses include: employee salaries and benefits, professional services, utilities, supplies, books and other library materials, maintenance and upkeep of buildings and grounds, computers and other equipment. The State Library stopped paying the entire bill for the library's network and Internet cost on July 1, 2005. The Library is now paying for connectivity from Covington/Headquarters to our branches. The State Library continues to supplement the Library's material budget with online database access and an inter-library loan system.

#### Summary of Net Assets

	2006		2005	
		Percentage of Total		Percentage of Total
<b>Assets</b>				
Current Assets	\$ 7,925,689	84.9 %	\$6,235,568	80.9 %
Capital Assets	1,413,230	15.1	1,476,211	19.1
<b>Total Assets</b>	<b>\$ 9,338,919</b>	<b>100.0 %</b>	<b>\$7,711,779</b>	<b>100.0 %</b>
<b>Liabilities</b>				
Current Liabilities	\$ 548,427	100.0 %	\$ 468,863	100.0 %
<b>Net Assets</b>				
Investment in Capital Assets, Net of Related Debt	\$ 1,413,230	16.1 %	\$1,476,211	20.3 %
Unrestricted	7,377,262	83.9	5,766,705	79.7
<b>Total Net Assets</b>	<b>\$ 8,790,492</b>	<b>100.0 %</b>	<b>\$7,242,916</b>	<b>100.0 %</b>

## **ST. TAMMANY PARISH LIBRARY**

### **Management's Discussion and Analysis**

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Current assets include a receivable for the annual property tax assessment, the Library's investment assets plus the cash on hand. Capital assets total includes the cost of land, and the net depreciation value of assets such as our books, vehicles, and computers, etc.

Current liabilities represent the value of obligations that are due within the next year. For instance, obligations to our medical plan or paying off the balance of employee leave are examples of such obligations. Long-term liabilities are obligations, which are due beyond one calendar year.

The St. Tammany Parish Library's total net assets of \$8,790,492 are the difference between total assets \$9,338,919 and total liabilities \$548,427.

#### **Capital Assets**

Capital assets – net decreased from \$1,476,211 to \$1,413,230. This was the result of \$517,408 in capital additions and \$580,389 in depreciation.

#### **Contacting the St. Tammany Parish Library's Financial Management**

This financial report is designed to provide a general overview of the St. Tammany Parish Library's finances; comply with finance-related laws and regulations; and demonstrate the Library's commitment to public accountability. If you have questions about this report or would like additional information, contact Donald K. Westmoreland, Assistant Director of the St. Tammany Parish Library, 310 West 21<sup>st</sup> Avenue, Covington, LA 70433.

**BASIC FINANCIAL STATEMENTS**  
**GOVERNMENT WIDE FINANCIAL STATEMENTS**

ST. TAMMANY PARISH LIBRARY  
Statement of Net Assets  
December 31, 2006

	Governmental Activities
<b>Assets</b>	
Cash	\$ 803,105
Investments	1,229,588
Receivables - Ad Valorem Taxes	5,680,629
Receivables - Revenue Sharing	208,920
Other Receivables	1,466
Deposits	1,981
Capital Assets (Net of Accumulated Depreciation)	<u>1,413,230</u>
<b>Total Assets</b>	<u>9,338,919</u>
<b>Liabilities</b>	
Accounts Payable	117,445
Accrued Expenses	130,545
Accrued Salaries	47,312
Claims Payable	31,133
Compensated Absences	<u>221,992</u>
<b>Total Liabilities</b>	<u>548,427</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	1,413,230
Unrestricted	<u>7,377,262</u>
<b>Total Net Assets</b>	<u>\$ 8,790,492</u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH LIBRARY  
Statement of Activities  
For the Year Ended December 31, 2006

Activities	Expenses	Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets Governmental Activities
<b>Governmental Activities:</b>			
Library	\$5,272,628	\$ 381,636	\$ (4,890,992)
<b>General Revenues:</b>			
Taxes -			
Property Taxes			5,827,967
State Revenue Sharing			200,574
Fines and Fees			127,689
Miscellaneous			162,179
Interest and Investment Earnings			120,159
<b>Total General Revenues</b>			<u>6,438,568</u>
<b>Change in Net Assets</b>			1,547,576
<b>Net Assets, Beginning of Year</b>			<u>7,242,916</u>
<b>Net Assets, End of Year</b>			<u>\$ 8,790,492</u>

The accompanying notes are an integral part of these financial statements.

**FUND FINANCIAL STATEMENTS**  
**GOVERNMENTAL FUND**

ST. TAMMANY PARISH LIBRARY  
Balance Sheet  
Governmental Fund  
December 31, 2006

	General Fund
<b>Assets</b>	
Cash	\$ 803,105
Investments	1,229,588
Receivables - Ad Valorem Taxes	5,680,629
Receivables - Revenue Sharing	208,920
Other Receivables	1,466
Deposits	<u>1,981</u>
<b>Total Assets</b>	<u><u>\$ 7,925,689</u></u>
<b>Liabilities</b>	
Accounts Payable	\$ 117,445
Accrued Expenses	130,545
Accrued Salaries	47,312
Claims Payable	<u>31,133</u>
<b>Total Liabilities</b>	<u>326,435</u>
<b>Fund Balance</b>	
Fund Balance	
Unreserved	<u>7,599,254</u>
<b>Total Fund Balance</b>	<u>7,599,254</u>
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,413,230
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(221,992)</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 8,790,492</u></u>

The accompanying notes are an integral part of these financial statements.

**ST. TAMMANY PARISH LIBRARY**  
**Statement of Revenues, Expenditures, and Change in Fund Balance**  
**Governmental Fund**  
**For the Year Ended December 31, 2006**

	<b>General Fund</b>
<b>Revenues</b>	
Ad Valorem Taxes	\$ 5,827,967
Revenue Sharing	200,574
Fines and Fees	127,689
Grants	300,294
Earnings on Investments	120,159
Miscellaneous	162,179
Donations	<u>81,342</u>
<b>Total Revenues</b>	<u>6,820,204</u>
<b>Expenditures</b>	
Personnel Services	3,062,194
Operating Services	1,237,651
Capital Expenditures	<u>885,215</u>
<b>Total Expenditures</b>	<u>5,185,060</u>
<b>Excess of Revenues Over Expenditures</b>	1,635,144
<b>Fund Balance, Beginning of Year</b>	<u>5,964,110</u>
<b>Fund Balance, End of Year</b>	<u><u>\$ 7,599,254</u></u>

The accompanying notes are an integral part of these financial statements.



**ST. TAMMANY PARISH LIBRARY**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Change in Fund Balance of Governmental Fund**  
**to the Statement of Activities**  
**For the Year Ended December 31, 2006**

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Amounts reported for governmental activities in the Statement of Activities  
are different because:

Net change in Fund Balances - Total Governmental Fund	\$1,635,144
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(62,981)
Change in Compensated Absences Payable	<u>(24,587)</u>
Change in Net Assets of Governmental Activities Item	<u>\$1,547,576</u>

The accompanying notes are an integral part of these financial statements.

## ST. TAMMANY PARISH LIBRARY

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of the St. Tammany Parish Library (the Library) conform to accounting principles generally accepted in the United States of America applicable to government entities. The following is a summary of significant accounting policies:

##### **Reporting Entity**

The Library was established by the Parish of St. Tammany (the Parish) governing authority, under the provisions of Louisiana Revised Statute 25:211. The Library is governed by a Board of Control, which is appointed by the Parish Council. Effective January 1, 1989, the administrative and accounting functions for the Library were transferred to the Board of Control under the provisions of Louisiana Revised Statute 25:215(b)(9); these functions were previously provided by the Parish. During 2006, the Library maintained thirteen branches and an administrative facility, which provide citizens of the Parish access to library materials, books, magazines, compact discs, films and the Internet.

As the governing authority of the Parish, for financial reporting purposes, the St. Tammany Parish Council is the financial reporting entity for St. Tammany Parish. The financial reporting entity consists of (a) the primary government (parish council) (b) organizations for which the primary governments are financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Tammany Parish Council for financial reporting purposes. The basic criterion for including a potential component unit with the reporting entity is financial accountability.

The Library is a component unit of the Parish because the Parish Council appoints all members of the Library and, as such, is financially accountable for the Library. The accompanying financial statements present information only on the funds maintained by the Library and do not present information on the parish council, the general government services provided by that governmental unit, or the governmental units that comprise the financial reporting entity.

##### **Basis of Presentation**

The accompanying basic financial statements of the St. Tammany Parish Library have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

## **ST. TAMMANY PARISH LIBRARY**

### **Notes to Financial Statements**

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **Basis of Presentation (Continued)**

##### **Government-Wide Financial Statements (GWFS)**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Library. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental fund.

##### **Fund Financial Statements (FFS)**

The Library uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Library functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The General Fund of the Library is classified as governmental. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Library or its total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds.

The Library reports the following major governmental fund:

The General Fund is the primary operating fund of the Library. It accounts for all the financial resources except those that are required to be accounted for in other funds.

Notes to Financial Statements

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Measurement Focus / Basis of Accounting**

The amounts reflected in the governmental fund financial statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and change in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to the government-wide financial statements.

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Library considers all revenues available if they are collected within 60 days after the fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt, which are recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The government-wide financial statements are accounted for using an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets and financial position. All assets and liabilities (whether current or non-current) associated with their activities are reported.

The government-wide financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**Budget**

The Library Board adopted a budget for the General Fund. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget and public hearings on the budget prior to adoption. Any amendment involving increases in expenditures must be approved by the Library Board. Budgeted amounts included in the accompanying financial statements include all amendments. All budgeted amounts which are not expended, or obligated through contracts, lapse at year-end. The General Fund budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The Library amended its budget during 2006. These amendments are reflected in the budget comparisons in this report.

## ST. TAMMANY PARISH LIBRARY

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Cash and Cash Equivalents and Investments

Cash includes amounts in interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the Library may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days, however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at market value.

##### Long-Term Obligations

In government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. At December 31, 2006, the Library had no long-term obligations.

##### Capital Assets

All fixed assets are recorded at historical costs. Depreciation of all exhaustible fixed assets is charged as an expense against their operations.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The Library capitalizes equipment in excess of \$2,500 and improvements in excess of \$25,000. The Library capitalizes all books and other items except for periodicals. The following estimated useful lives and methods are used to compute depreciation:

Books	5 Years	Straight Line
Vehicles	5 Years	Straight Line
Furniture and Equipment	10 Years	Straight Line
Computers	5 Years	Straight Line
Building Improvements	20 Years	Straight Line

Depreciation expense amounted to \$580,389 for the year ended December 31, 2006.

##### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

## ST. TAMMANY PARISH LIBRARY

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### **Use of Restricted/Unrestricted Net Assets**

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Library's policy is to apply restricted net assets first.

#### Note 2. Ad Valorem Taxes

Property taxes for the operations of the Library are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the Parish. Assessed values are established by the St. Tammany Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed as of January 1, 2004. Taxes are due and payable December of the following year.

#### Note 3. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents (book balances) at December 31, 2006:

Demand Deposits	<u>\$ 803,105</u>
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These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2006, the Library has \$948,432 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 in federal deposit insurance and \$848,432 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

# ST. TAMMANY PARISH LIBRARY

## Notes to Financial Statements

### Note 4. Capital Assets

Capital assets activity for the year ended December 31, 2006, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 200,000	\$ -	\$ -	\$ 200,000
<b>Capital Assets Being Depreciated:</b>				
Books	8,472,703	508,621	(549,938)	8,431,386
Vehicles	127,865	-	(12,119)	115,746
Computers	633,939	8,787	-	642,726
Building Improvements	328,062	-	-	328,062
Furniture and Equipment	322,892	-	(10,070)	312,822
<b>Total Capital Assets Being Depreciated</b>	<b>9,885,461</b>	<b>517,408</b>	<b>(572,127)</b>	<b>9,830,742</b>
<b>Less Accumulated Depreciation for:</b>				
Books	(7,540,913)	(500,702)	549,938	(7,491,677)
Vehicles	(112,944)	(4,771)	12,119	(105,596)
Computers	(548,509)	(45,417)	-	(593,926)
Building Improvements	(137,325)	(16,403)	-	(153,728)
Furniture and Equipment	(269,559)	(13,096)	10,070	(272,585)
<b>Total Accumulated Depreciation</b>	<b>(8,609,250)</b>	<b>(580,389)</b>	<b>572,127</b>	<b>(8,617,512)</b>
<b>Total Capital Assets Being Depreciated - Net</b>	<b>1,276,211</b>	<b>(62,981)</b>	<b>-</b>	<b>1,213,230</b>
<b>Capital Assets - Net</b>	<b>\$ 1,476,211</b>	<b>\$ (62,981)</b>	<b>\$ -</b>	<b>\$ 1,413,230</b>

### Note 5. Self-Insurance

The Library participates in the self-insurance fund of its primary government, the St. Tammany Parish Council, for coverage of property, contents and general liability.

The Library has established a self-insurance medical plan for its employees and their covered dependents. The Plan administrator, FARA Benefit Services, is responsible for the approval, processing and payment of claims. The administrator is also responsible for actuarially determining the needed funding of the plan. The plan provides health benefits up to a \$1,000,000 lifetime maximum per covered person. All full-time employees who are regularly scheduled to work at least twenty-eight hours per week and their eligible dependents are eligible for the plan.

# ST. TAMMANY PARISH LIBRARY

## Notes to Financial Statements

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### Note 5. Self-Insurance (Continued)

The Plan is accounted for in the general fund of the Library. The cost of claims is recorded as an expense when the claims arise. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

Claims liabilities include an amount for claims that have been incurred but not paid as of December 31, 2006. These liabilities are reported at their present value of \$31,133. Changes in the balances of claims liabilities during the years ended December 31, 2006, 2005 and 2004, respectively, were as follows:

	2006	2005	2004
Beginning of Year Liability	\$ 58,481	\$ 44,797	\$ 19,091
Claims and Changes in Estimates	278,560	177,923	168,245
Claims Payments	<u>(305,908)</u>	<u>(164,239)</u>	<u>(142,539)</u>
Balance at Fiscal Year-End	<u>\$ 31,133</u>	<u>\$ 58,481</u>	<u>\$ 44,797</u>

A stop-loss insurance contract executed with an insurance carrier covers aggregate claims in excess of \$292,875 and claims in excess of \$10,000 per single employee, per year. The amount of settlements has not exceeded insurance coverage for each of the past three fiscal years.

### Note 6. Pension Plan

Substantially all full time employees of the Library are members of Plan A of the State Parochial Employees Retirement System of Louisiana (the Plan). The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by a separate board of trustees.

All permanent employees working at least 28 hours per week and who are paid wholly or in part from Library funds are eligible to participate in the Plan. Employees who retire at or after age 60 with at least ten years of credited service, at or after age 55 with 25 years of credited service, or at any age with at least 30 years of credited service, are entitled to a retirement benefit. This benefit is payable monthly for life and is equal to 3 percent of their final average salary for each year of credited service. Final average salary is the employee's average salary over the 36 consecutive or joined months which produce the highest average.

Employees who terminate with at least the amount of credited service stated previously, and who do not withdraw their employee contributions, may retire at the age specified previously and receive the benefit accrued to their date of termination. The Plan also provides death and disability benefits. Benefits are established by state statute.



## ST. TAMMANY PARISH LIBRARY

### Notes to Financial Statements

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#### **Note 6. Pension Plan (Continued)**

The Plan issues an annual publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Parochial Employees Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, Louisiana, 70898-4619, or by calling (225) 928-1361.

Contributions to the Plan include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish except Orleans and East Baton Rouge parishes. For the year ended December 31, 2006, State statute required employees to contribute 9.50 percent of their salary to the Plan, and the Library must contribute 12.75 percent of the taxable wages of each employee as an employer match. As provided by LRS 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation of the prior year.

The Library's contributions to the Plan for the years ended December 31, 2006, 2005 and 2004, were \$268,036, 255,749, and \$210,115, respectively. These amounts were equal to the required contributions each year.

#### **Note 7. State Revenue Sharing**

State revenue sharing is an arrangement whereby local governments are reimbursed by the State for Ad Valorem taxes not billed due to the homestead exemption.

The Library recognized revenue from state revenue sharing of \$200,574 for the year ended December 31, 2006. Receivables for state revenue sharing for the year ended December 31, 2006, were \$208,920.

#### **Note 8. Operating Leases**

The Library leases the Causeway Branch in Mandeville and its technical services building. These leases have been classified as operating leases and, as such, rental payments have been recorded as an operating expenditure. Total rent expense for the year ended December 31, 2006, was \$115,993. Future minimum lease payments are as follows:

2007	\$ 99,372
2008	96,072
2009	<u>80,060</u>
	<u>\$ 275,504</u>

# ST. TAMMANY PARISH LIBRARY

## Notes to Financial Statements

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### Note 9. Investments

As of December 31, 2006, the Library had the following investments:

Investment	Maturity	Fair Value
U.S. Treasury Bill	2/15/2007	\$ 248,413
U.S. Treasury Bill	4/19/2007	246,247
U.S. Treasury Bill	5/17/2007	245,293
U.S. Treasury Bill	5/31/2007	489,635
		<u>\$1,229,588</u>

*Interest Rate Risk.* The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### Note 10. Compensation of Board Members

No compensation was paid to board members for the year ended December 31, 2006.

### Note 11. Deferred Compensation Plan

Certain employees of the Library participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

**REQUIRED SUPPLEMENTAL INFORMATION (PART II)**

ST. TAMMANY PARISH LIBRARY  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended December 31, 2006

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Ad Valorem Taxes	\$4,100,000	\$4,200,000	\$5,827,967	\$ 1,627,967
Revenue Sharing	186,000	176,000	200,574	24,574
Fines and Taxes	115,000	115,000	127,689	12,689
Grants	55,000	470,000	300,294	(169,706)
Earnings on Investments	55,000	62,000	120,159	58,159
Miscellaneous	7,200	160,000	162,179	2,179
Donations	30,000	30,000	81,342	51,342
<b>Total Revenues</b>	<b>4,548,200</b>	<b>5,213,000</b>	<b>6,820,204</b>	<b>1,607,204</b>
<b>Expenditures</b>				
Personnel Services	2,997,000	3,057,000	3,062,194	(5,194)
Operating Services	924,200	1,313,455	1,237,651	75,804
Capital Services	728,500	863,000	885,215	(22,215)
<b>Total Expenditures</b>	<b>4,649,700</b>	<b>5,233,455</b>	<b>5,185,060</b>	<b>48,395</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (101,500)</b>	<b>\$ (20,455)</b>	<b>\$1,635,144</b>	<b>\$ 1,655,599</b>

**OTHER SUPPLEMENTAL INFORMATION**

**ST. TAMMANY PARISH LIBRARY**  
**Schedule of General Fund Expenditures**  
**For the Year Ended December 31, 2006**

<b>Personnel Services</b>	
Salaries and Wages	\$ 2,342,058
Health Trust	278,560
Retirement	268,036
Health Insurance	113,128
Medicare Tax	43,496
Workers' Compensation	16,916
	<u>\$ 3,062,194</u>
<b>Operating Services</b>	
Electricity	\$ 175,476
Custodial, Grounds and Lawn	153,361
Repairs and Maintenance	134,578
Building Lease	114,959
Insurance	93,174
Telephone	71,989
Election	67,282
Summer Reading Program	47,847
Postage	36,244
Office Supplies	35,647
Plumbing, Heating, and Air Conditioning	32,601
Printing	30,078
Book Preparation	25,845
Advertising, Promotional, and Signage	23,870
Adult Programming	22,663
Pest and Termite Control	20,949
Gas and Water	20,844
Travel and Conventions	20,408
Legal and Professional	17,315
Fuel and Lube	15,456
Maintenance Supplies	12,993
Architectural	12,100
Security	9,771
Consultants	8,870
Walker Percy Symposium	5,878
Programming Supplies	5,853
Young Adult Programming	4,972
Bank Charges	4,552
Sanitation	4,260
Family History Center Expenses	3,592
Assessor	1,240
Carpet Cleaning	1,075
Membership Dues	977
Computer/Printer Supplies	932
	<u>\$ 1,237,651</u>

**ST. TAMMANY PARISH LIBRARY**  
**Schedule of General Fund Expenditures (Continued)**  
**For the Year Ended December 31, 2006**

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<b>Capital Expenditures</b>	
Adult Books	\$ 228,326
Personal Computer Network	117,643
Reference	93,309
Juvenile Books	84,772
Audio Recordings	79,875
Video Recordings	57,180
Internet Database	53,691
Audio/Visual Equipment	37,102
Periodicals	35,811
Young Adult Books	31,518
Office Equipment and Furniture	21,975
Genealogy	17,561
Compact Disc Rom	13,572
Microfilm	9,797
Integrated Library Automation System	1,895
Telephone and Telephone Systems	1,188
	<hr/>
	<b>\$ 885,215</b>
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**ST. TAMMANY PARISH LIBRARY**

**Schedule of Governing Board  
December 31, 2006**

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<u>Board of Control</u>	<u>Term of Office</u>	<u>Compensation</u>
Barbara Morgan 63239 N. Sun Moore Road Pearl River, LA 70452	December 31, 2008	-0-
Dr. Argiro Morgan 103 Brandon Place Mandeville, LA 70471	December 31, 2008	-0-
Kristin Lyons P.O. Box 464 Slidell, LA 70459	December 31, 2008	-0-
Margaret Cammatte 47 Lurline Drive Covington, LA 70433	December 31, 2008	-0-
Silvia Muller 109 Maple Ridge Way Covington, LA 70433	December 31, 2008	-0-
Kristen Scott 61202 W. Springmill Drive Lacombe, LA 70445	December 31, 2008	-0-
James D. Scroggins 34635 Edgar Kennedy Road Pearl River, LA 70452	December 31, 2008	-0-





**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE BASIC  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Control  
St. Tammany Parish Library

We have audited the financial statements of the St. Tammany Parish Library as of and for the year ended December 31, 2006, and have issued our report thereon dated March 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered St. Tammany Parish Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the St. Tammany Parish Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the St. Tammany Parish Library's internal control over financial reporting.

A control deficiency exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions to prevent and detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

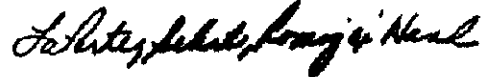
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the St. Tammany Parish Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants; noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



A Professional Accounting Corporation

March 20, 2007